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NISA

NET INCOME STABILIZATION ACCOUNT



1999 Program Information

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What is NISA?

The Net Income Stabilization Account (NISA) is a voluntary program developed jointly between producers, the Government of Canada and participating provinces. The Program is designed to help producers achieve long-term farm income stability on an individual basis. By providing producers the opportunity to deposit money annually into their NISA accounts and receive matching government contributions, their NISA accounts grow. In lower income years, producers can make withdrawals from funds they have set aside.

How to become a participant

To participate in NISA, you must open a NISA account at a participating financial institution and annually submit a completed application before the deadline. The deadline to make a deposit or request a withdrawal is indicated on your Deposit/Withdrawal Options Notice (DWON).

If you conduct farming business as an individual (sole-proprietor), you will complete Form T1163, Statement A (*NISA Account Information and Statement of Farming Activities for Individuals*). This form and related schedules can be found in the Farming Income and NISA guide published by the Canada Customs and Revenue Agency (formerly Revenue Canada).

Corporations (including cooperatives and communal organizations), trusts, and Status Indians who farm on reserves must use separate special applications available through the NISA Administration.

How your money grows in NISA

You can annually deposit up to 3% of your Eligible Net Sales (ENS) into your NISA account and receive matching government contributions. You can also deposit an additional 20% of your ENS into your account. Although these deposits are not matched by governments, they still earn the 3% bonus interest over and above regular interest rates offered by your financial institution.

The portion of your NISA account which holds your deposits is referred to as *Fund 1* and is held at a participating financial institution of your choice. The funds in this account are not taxable or tax deductible. *Fund 2*, held in Canada's Consolidated Revenue Fund, holds the matching government contributions and all accumulated interest from Fund 1 and 2. Fund 2 monies are taxable when withdrawn.

What are Eligible Net Sales?

Your NISA benefits are calculated based on the financial information you report on your program application. **Eligible Net Sales (ENS)** are calculated by subtracting purchases of qualifying commodities from the sales of qualifying commodities. The maximum annual ENS limit is \$250,000 per individual.

Almost all agricultural commodities qualify for the NISA program except those covered by supply management (dairy, poultry and eggs). Please see the **1999 Forms and Guide** for a complete list of qualifying NISA Program commodities by province.

How to deposit and withdraw

The **Deposit/Withdrawal Options Notice (DWON)** explains the amounts that you are entitled to deposit and withdraw, based on the financial information submitted on your NISA application. To make a deposit, deem a deposit, or request a withdrawal, **you must first open a NISA account at a participating financial institution by the due date on the DWON.**

You must make all your deposits at the financial institution where you have set up your NISA account. You will receive matching government contributions -- 2% from the federal government and 1% from your provincial government (except in Alberta where contributions are entirely funded by the Government of Canada).

To request a withdrawal, you must enter the amount you wish to withdraw (up to the lesser of your maximum withdrawal entitlement or your account balance) on the tear-off portion (Part 2) of your DWON. Then return Part 2 to the NISA Administration by the due date.

All withdrawals are taken first from Fund 2 which is the taxable portion of your NISA account. Once Fund 2 has been depleted, the remainder will be taken from Fund 1.

NOTE: Your total account balance (Fund 1 and 2) cannot exceed an **Account Balance Limit (ABL)** of 1.5 times the average ENS for the five most recent years including the current year. If your account is at this limit, you cannot make deposits or receive government contributions. If it is above, the excess will be paid out.

How

NISA withdrawal triggers work

Two methods are used to calculate your withdrawal entitlements: (1) *the Stabilization Trigger*, and (2) *the Minimum Income Trigger*. If you trigger a withdrawal under *both* methods, the larger withdrawal amount will apply.

The Stabilization Trigger

With the Stabilization Trigger, a withdrawal is triggered when your current year gross margin falls below your average gross margin from the past five years. For example:

1999 Stabilization Year

Net sales of all agricultural commodities (plus certain "other" farming income amounts)	\$80,000
less Eligible expenses	- 60,000
<i>Current Year Gross Margin</i>	\$20,000
5-year Gross Margin Average	\$35,000
less 1999 Gross Margin	-20,000
<i>Stabilization Trigger</i>	\$15,000

The Minimum Income Trigger

When your income from *all* sources falls below the minimum income threshold (\$20,000 for individuals or \$35,000 for families) *plus* your matchable deposit, a withdrawal is triggered. For example:

Net Income Threshold	\$20,000
plus matchable deposit	+ 1,000
less net income	-10,000
<i>Minimum Income Trigger</i>	\$11,000

Convenient

NISA Program features

The NISA Program has changed to help you access your account funds more quickly and easily. Listed below are brief explanations of some innovative NISA Program features.

Automatic Deeming

If you have a withdrawal trigger and have not made your full matchable deposit, or have not responded to your DWON by the deadline, the NISA Administration will automatically use your triggered withdrawal to make part or all of your matchable deposit, based upon your calculated trigger.

You may decline automatic deeming by contacting NISA by the December 31 deadline each year. You must have opened a NISA account at a participating financial institution to receive automatic deeming.

Interim Withdrawals (2000)

The interim withdrawal feature allows you to estimate and access your withdrawal entitlement for the 2000 stabilization year. If you participate as a corporation or cooperative and have a non-calendar fiscal period, you can request an interim withdrawal for your 2001 stabilization year once your 1999 application has been submitted and you have received your 1999 DWON.

As of the 1998 stabilization year, the overpayment penalty for interim withdrawals has been reduced from 5% to 3%. This charge is applied to your entire overpayment when your interim withdrawal exceeds your actual triggered withdrawal entitlement by more than 20%.

NEW!

Multiple Deposits & Withdrawals

Once you have made your NISA deposit, you may also make one or more withdrawals for

(Cont'd)

any amount up to your remaining trigger entitlement in the same stabilization year. In addition, you can also request multiple withdrawals without having made a deposit

Increased

Minimum Income Thresholds **NEW!**

As of the 1998 stabilization year, the Minimum Income Trigger thresholds have been increased from \$10,000 to \$20,000 for individuals and from \$20,000 to \$35,000 for families.

Rejoining Provisions

NEW!

Previously, those who have opted out of the NISA Program had to wait three years before being able to rejoin. The rejoining provision has now been reduced to a period of two years for both mandatory and voluntary opt-outs.

Expanding Farms

NEW!

Stabilization Trigger Adjustment

Many producers who have expanded their farming operations have found that they either did not trigger a withdrawal or that the withdrawal they triggered was not enough to meet their operational needs. If your current year eligible expenses exceed your average eligible expenses for the past five years by at least 15%, you may be eligible to request a stabilization trigger adjustment that could increase your 1998 or 1999 withdrawal trigger. For more information, contact the NISA Administration before December 31, 2000.

NISA

Program Deadlines

Non-penalty Application Deadline

JUNE 15 - Individuals

JUNE 30 - Corporations/ Cooperatives

Deposits, withdrawals, interim withdrawals & final applications

DECEMBER 31, 2000

Participating Financial Institutions

Alberta Credit Unions
 Alberta Treasury Branches
 Bank of Montreal
 Bank of Nova Scotia
 BC Credit Unions
 Canadian Imperial Bank of Commerce
 L'Alliance des caisses populaires de l'Ontario limitée
 La Fédération des caisses populaires acadiennes limitée
 Les caisses populaires Desjardins du Québec
 Les caisses populaires de l'Ontario
 Les caisses populaires du Manitoba
 Manitoba's Credit Unions
 National Bank of Canada
 Ontario Credit Unions
 Prince Edward Island Credit Unions
 Royal Bank
 Saskatchewan Credit Unions
 Toronto Dominion Bank

For more program information, contact:

NISA Administration

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Visit our new website at: www.agr.ca/nisa